

House Study Bill 218 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON COWNIE)

A BILL FOR

1 An Act relating to consumer lawsuit lending transactions, and
2 including effective date provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 537.1301, subsection 27, paragraph a,
2 Code 2013, is amended by adding the following new subparagraph:
3 NEW SUBPARAGRAPH. (6) (a) The provision of a cash advance
4 or funds to a consumer in exchange for that consumer assigning,
5 conveying, or otherwise conferring to the person or entity
6 advancing the cash advance or funds the right to receive
7 the proceeds, or a part of the proceeds, of the settlement,
8 insurance payment, or award of damages obtained in either of
9 the following:

10 (i) A consumer's civil action, or statutory or regulatory
11 claim, for which damages may be awarded to the consumer or
12 claiming party.

13 (ii) A cause of action or legal claim upon which a civil
14 action or statutory claim described in subparagraph subdivision
15 (i) may be based, regardless of whether the right to receive
16 the proceeds is nonrecourse.

17 (b) For purposes of this subparagraph, "*nonrecourse*"
18 means the consumer or the consumer's members, partners, or
19 shareholders, if any, or any related person to a member,
20 partner, or shareholder, does not bear the risk of financial
21 loss to the person or entity advancing a cash advance or funds.

22 Sec. 2. Section 537.1301, subsection 27, paragraph b, Code
23 2013, is amended by adding the following new subparagraph:

24 NEW SUBPARAGRAPH. (3) Providing professional legal
25 services or the advancement of litigation expenses by
26 an attorney licensed to practice law in this state to an
27 individual on a contingency basis.

28 Sec. 3. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
29 immediate importance, takes effect upon enactment.

30 EXPLANATION

31 This bill expands the definition of a "loan" for purposes
32 of Code chapter 537, the consumer credit code, to include
33 providing a cash advance or funds to a consumer in exchange for
34 that consumer assigning, conveying, or otherwise conferring to
35 the person or entity advancing the cash advance or funds the

1 right to receive the proceeds, or a part of the proceeds, of
2 the settlement, insurance payment, or award of damages obtained
3 under specified circumstances. Those circumstances include a
4 consumer's civil action, or statutory or regulatory claim, for
5 which damages may be awarded to the consumer or claiming party,
6 or a cause of action or legal claim upon which a civil action
7 or statutory or regulatory claim may be based, regardless of
8 whether the right to receive the proceeds pursuant to the
9 cause of action or legal claim is nonrecourse. The bill
10 defines "nonrecourse" to mean that the consumer or its members,
11 partners, or shareholders, if any, or any related person to
12 a member, partner, or shareholder, does not bear the risk of
13 financial loss to the person or entity advancing a cash advance
14 or funds.

15 Additionally, the bill provides that providing professional
16 legal services or the advancement of litigation expenses by an
17 attorney licensed to practice law in Iowa to an individual on a
18 contingency basis shall not be considered a "loan" for purposes
19 of Code chapter 537.

20 The bill takes effect upon enactment.